

***McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATE OF ILLINOIS***

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

eder, casella & co.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15
TABLE OF CONTENTS
JUNE 30, 2017

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	4
BASIC FINANCIAL STATEMENTS	
Statement of Assets, Liabilities, and Fund Balances Arising from Cash Transactions – Regulatory Basis – All Funds and Account Groups	6
Statement of Revenue Received, Expenditures Disbursed, Other Financing Sources (Uses), and Changes in Fund Balances – All Funds Except Agency Funds	8
Statement of Revenue Received – All Funds Except Agency Funds	10
Statement of Expenditures Disbursed – Budget to Actual	
Educational Fund	12
Operations and Maintenance Fund	16
Debt Services Fund	17
Transportation Fund	18
Illinois Municipal Retirement/Social Security Fund	19
Capital Projects Fund	21
Tort Fund	22
Fire Prevention and Safety Fund	23
Notes to Financial Statements	24
SUPPLEMENTAL FINANCIAL INFORMATION	
Illinois Municipal Retirement Fund – Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	43
Illinois Municipal Retirement Fund – Schedule of Employer Contribution	44
Teachers' Retirement System of the State of Illinois – Schedule of the Employer's Proportionate Share of the Net Pension Liability	45

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15
TABLE OF CONTENTS
JUNE 30, 2017

	PAGE
SUPPLEMENTAL FINANCIAL INFORMATION (Continued)	
Teachers' Retirement System of the State of Illinois – Schedule of Employer Contribution	46
Retiree Paid Insurance – Schedule of Funding Progress	47
Schedule of Changes in Assets and Liabilities – Activity Funds	48
Computation of Operating Expense Per Pupil and Per Capita Tuition Charge	49
ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	50
Schedule of Expenditures of Federal Awards	52
Notes to the Schedule of Expenditures of Federal Awards	55
Schedule of Findings and Questioned Costs	56
Summary Schedule of Prior Audit Findings	58
Corrective Action Plan for Current Year Audit Findings	59

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
McHenry Community Consolidated School District No. 15
McHenry, Illinois

We have audited the accompanying basic financial statements of

McHenry Community Consolidated School District No. 15

as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Illinois State Board of Education as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by McHenry Community Consolidated School District No. 15 on the basis of the financial reporting provisions of the Illinois State Board of Education, which is a basis of accounting other than accounting principles general accepted in the United States of America to meet the requirements of Illinois State Board of

Education. Also as described in Note 1, McHenry Community Consolidated School District No. 15 prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of McHenry Community Consolidated School District No. 15 as of June 30, 2017, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Cash Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of McHenry Community Consolidated School District No. 15 as of June 30, 2017, and the revenues it received and expenditures it paid for the year then ended, in accordance with the financial reporting provisions of the Illinois State Board of Education as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the average daily attendance figure included in the computation of operating expense per pupil and per capita tuition charges, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2017 on our consideration of McHenry Community Consolidated School District No. 15's internal control over financial reporting and on our tests of its compliance with certain

provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McHenry Community Consolidated School District No. 15's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of management, the Board of Education, others within the District, and the Illinois State Board of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

Eder, Casella & Co.

EDER, CASELLA & CO.

Certified Public Accountants

McHenry, Illinois
October 4, 2017

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
McHenry Community Consolidated School District No. 15
McHenry, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of

McHenry Community Consolidated School District No. 15

as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise McHenry Community Consolidated School District No. 15's basic financial statements, and have issued our report thereon dated October 4, 2017. Our opinion was adverse because the financial statements are not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated on the cash basis of accounting in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McHenry Community Consolidated School District No. 15's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McHenry Community Consolidated School District No. 15's internal control. Accordingly, we do not express an opinion on the effectiveness of McHenry Community Consolidated School District No. 15's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, which we consider to be significant deficiencies. These deficiencies are numbered 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McHenry Community Consolidated School District No. 15's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

McHenry Community Consolidated School District No. 15's Response to Findings

McHenry Community Consolidated School District No. 15's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
October 4, 2017

BASIC FINANCIAL STATEMENTS

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS
ALL FUNDS AND ACCOUNT GROUPS
AT JUNE 30, 2017

	ILLINOIS					
	EDUCATIONAL	OPERATIONS AND MAINTENANCE	DEBT SERVICES	TRANSPOR- TATION	MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS
						WORKING CASH
ASSETS						
Cash and Cash Equivalents	\$ 16,647,022	\$ 9,008,837	\$ 609,241	\$ 3,528,963	\$ 1,064,247	\$ 610,638
Investments	17,444,861	-	2,373,955	1,200,000	700,467	2,389,828
Other Current Assets	3,553	-	-	-	31	-
Capital Assets						
Land	-	-	-	-	-	-
Building and Building Improvements	-	-	-	-	-	-
Site Improvements and Infrastructure	-	-	-	-	-	-
Capitalized Equipment	-	-	-	-	-	-
Amount Available in Debt Services Fund	-	-	-	-	-	-
Amount to be Provided for Payment on Long-Term Debt	-	-	-	-	-	-
Total Assets	\$ 34,095,436	\$ 9,008,837	\$ 2,983,196	\$ 4,728,963	\$ 1,764,745	\$ 419,719
						\$ 3,000,466
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Current Liabilities						
Due to Activity Fund Organizations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-Term Liabilities						
Long-Term Debt Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE						
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance						
Reserved	-	-	-	-	586,106	-
Unreserved						
Designated	18,230,904	2,519,051	2,182,254	2,690,792	382,570	228,502
Undesignated	15,864,532	6,489,786	800,942	2,038,171	796,069	2,771,964
Total Fund Balance	\$ 34,095,436	\$ 9,008,837	\$ 2,983,196	\$ 4,728,963	\$ 1,764,745	\$ 419,719
Total Liabilities and Fund Balance	\$ 34,095,436	\$ 9,008,837	\$ 2,983,196	\$ 4,728,963	\$ 1,764,745	\$ 419,719
						\$ 3,000,466

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS
ALL FUNDS AND ACCOUNT GROUPS
AT JUNE 30, 2017

	TORT	FIRE PREVENTION AND SAFETY		AGENCY	GENERAL FIXED ASSETS		GENERAL LONG-TERM DEBT	TOTAL (MEMORANDUM ONLY)
ASSETS								
Cash and Cash Equivalents	\$ 629,004	\$	84,537	\$ 59,051	\$	-	\$	\$ 32,661,259
Investments	195,131	-	-	-	-	-	-	24,304,242
Other Current Assets	-	-	-	-	-	-	-	3,584
Capital Assets								
Land	-	-	-	-	1,556,074	-	-	1,556,074
Building and Building Improvements	-	-	-	-	79,629,762	-	-	79,629,762
Site Improvements and Infrastructure	-	-	-	-	2,156,979	-	-	2,156,979
Capitalized Equipment	-	-	-	-	9,644,039	-	-	9,644,039
Amount Available in Debt Services Fund	-	-	-	-	-	2,983,196	-	2,983,196
Amount to be Provided for Payment on Long-Term Debt	-	-	-	-	-	9,437,609	-	9,437,609
Total Assets	\$ 824,135	\$	84,537	\$ 59,051	\$ 92,986,854	\$ 12,420,805	\$	\$ 162,376,744
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Current Liabilities								
Due to Activity Fund Organizations	\$ -	\$	-	\$ 59,051	\$	-	\$	\$ 59,051
Total Current Liabilities	\$ -	\$	-	\$ 59,051	\$	-	\$	\$ 59,051
Long-Term Liabilities								
Long-Term Debt Payable	\$ -	\$	-	\$ -	\$	-	\$ 12,420,805	\$ 12,420,805
Total Long-Term Liabilities	\$ -	\$	-	\$ -	\$	-	\$ 12,420,805	\$ 12,420,805
Total Liabilities	\$ -	\$	-	\$ 59,051	\$	-	\$ 12,420,805	\$ 12,479,856
FUND BALANCE								
Investment in General Fixed Assets	\$ -	\$	-	\$ -	\$ 92,986,854	\$	-	\$ 92,986,854
Fund Balance								
Reserved	-	-	-	-	-	-	-	586,106
Unreserved								
Designated	441,256		6,101	-	-	-	-	26,681,430
Undesignated	382,879		78,436	-	-	-	-	29,642,498
Total Fund Balance	\$ 824,135	\$	84,537	\$ -	\$ 92,986,854	\$	-	\$ 149,896,888
Total Liabilities and Fund Balance	\$ 824,135	\$	84,537	\$ 59,051	\$ 92,986,854	\$ 12,420,805	\$	\$ 162,376,744

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED, OTHER
FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCES -
ALL FUNDS EXCEPT AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	DEBT SERVICES	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY
REVENUE RECEIVED					
Local Sources	\$ 35,591,513	\$ 5,005,651	\$ 3,964,950	\$ 7,158,874	\$ 1,780,366
State Sources	6,429,426	-	-	1,502,662	-
Federal Sources	3,639,890	-	-	32,305	-
On-Behalf Payments	22,188,826	-	-	-	-
	<u>\$ 67,849,655</u>	<u>\$ 5,005,651</u>	<u>\$ 3,964,950</u>	<u>\$ 8,693,841</u>	<u>\$ 1,780,366</u>
EXPENDITURES DISBURSED					
Instruction	\$ 33,782,147	\$ -	-	\$ -	\$ 1,093,583
Support Services	13,088,763	10,652,838	-	4,265,600	1,930,732
Community Services	68,083	-	-	-	1,177
Payments to Other Districts and Governmental Units	1,184,459	-	-	-	-
Debt Services	-	-	3,592,062	-	-
On-Behalf Payments	22,188,826	-	-	-	-
	<u>\$ 70,312,278</u>	<u>\$ 10,652,838</u>	<u>\$ 3,592,062</u>	<u>\$ 4,265,600</u>	<u>\$ 3,025,492</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (2,462,623)	\$ (5,647,187)	\$ 372,888	\$ 4,428,241	\$ (1,245,126)
OTHER FINANCING SOURCES (USES)					
Interfund Transfers	-	4,000,000	-	(4,000,000)	-
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES DISBURSED AND OTHER FINANCING USES	\$ (2,462,623)	\$ (1,647,187)	\$ 372,888	\$ 428,241	\$ (1,245,126)
FUND BALANCE - JULY 1, 2016	36,558,059	10,656,024	2,610,308	4,300,722	3,009,871
FUND BALANCE - JUNE 30, 2017	<u>\$ 34,095,436</u>	<u>\$ 9,008,837</u>	<u>\$ 2,983,196</u>	<u>\$ 4,728,963</u>	<u>\$ 1,764,745</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED, OTHER
FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCES -
ALL FUNDS EXCEPT AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	CAPITAL PROJECTS	WORKING CASH	TORT	FIRE PREVENTION AND SAFETY	TOTAL (MEMORANDUM ONLY)
REVENUE RECEIVED					
Local Sources	\$ 17,049	\$ 456,696	\$ 860,899	\$ 12,365	\$ 54,848,363
State Sources	2,176,437	-	-	-	10,108,525
Federal Sources	-	-	-	-	3,672,195
On-Behalf Payments	-	-	-	-	22,188,826
	<u>\$ 2,193,486</u>	<u>\$ 456,696</u>	<u>\$ 860,899</u>	<u>\$ 12,365</u>	<u>\$ 90,817,909</u>
EXPENDITURES DISBURSED					
Instruction	\$ -	\$ -	\$ -	\$ -	\$ 34,875,730
Support Services	2,832,424	-	631,509	-	33,401,866
Community Services	-	-	-	-	69,260
Payments to Other Districts and					
Governmental Units	-	-	-	-	1,184,459
Debt Services	-	-	-	-	3,592,062
On-Behalf Payments	-	-	-	-	22,188,826
	<u>\$ 2,832,424</u>	<u>\$ -</u>	<u>\$ 631,509</u>	<u>\$ -</u>	<u>\$ 95,312,203</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (638,938)	\$ 456,696	\$ 229,390	\$ 12,365	\$ (4,494,294)
OTHER FINANCING SOURCES (USES)					
Interfund Transfers	-	-	-	-	-
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES DISBURSED AND OTHER FINANCING USES	\$ (638,938)	\$ 456,696	\$ 229,390	\$ 12,365	\$ (4,494,294)
FUND BALANCE - JULY 1, 2016	<u>1,058,657</u>	<u>2,543,770</u>	<u>594,745</u>	<u>72,172</u>	<u>61,404,328</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 419,719</u>	<u>\$ 3,000,466</u>	<u>\$ 824,135</u>	<u>\$ 84,537</u>	<u>\$ 56,910,034</u>

The Notes to Financial Statements are an integral part of this statement.

**McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF REVENUE RECEIVED
ALL FUNDS EXCEPT AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	DEBT SERVICES	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY
REVENUE RECEIVED					
Local Sources					
Ad Valorem Taxes Levied					
Designated Purpose Levies	\$ 30,837,871	\$ 4,840,252	\$ 3,953,444	\$ 5,965,074	\$ 728,431
Special Education Purpose Levy	3,519,753	-	-	-	-
FICA/Medicare Only Purposes Levy	-	-	-	-	728,431
Payments in Lieu of Taxes					
Corporate Personal Property Replacement Taxes	173,378	-	-	-	173,378
Tuition					
Special Education Tuition from Other Districts (In State)	62,771	-	-	-	-
Transportation Fees					
Regular Trans. Fees from Pupils or Parents (In State)	-	-	-	18,901	-
Interest on Investments	159,444	33,030	11,506	17,042	16,517
Food Service					
Sales to Pupils - Lunch	556,590	-	-	-	-
District/School Activity Income					
Admissions - Athletic	1,860	-	-	-	-
Fees	53,775	-	-	-	-
Textbooks					
Rentals - Regular Textbook	197,277	-	-	-	-
Rentals	-	20,271	-	-	-
Contributions and Donations from Private Sources	202	-	-	-	-
Refund of Prior Years' Expenditures	27,919	-	-	54	-
Payments from Other Districts	-	-	-	1,157,803	-
Other Local Revenues	673	112,098	-	-	133,609
Total Local Sources	\$ 35,591,513	\$ 5,005,651	\$ 3,964,950	\$ 7,158,874	\$ 1,780,366
State Sources					
Unrestricted Grants-In-Aid					
General State Aid - Sec. 18-8	\$ 4,663,903	\$ -	\$ -	\$ -	\$ -
Restricted Grants-In-Aid					
Special Education					
Private Facility Tuition	180,731	-	-	-	-
Extraordinary	433,275	-	-	-	-
Personnel	962,097	-	-	-	-
Orphanage - Individual	64,350	-	-	-	-
Bilingual Education					
Downstate - TPI & TBE	96,729	-	-	-	-
State Free Lunch and Breakfast	3,676	-	-	-	-
Transportation					
Regular/Vocational	-	-	-	746,718	-
Special Education	-	-	-	755,944	-
Early Childhood - Block Grant	24,665	-	-	-	-
Total State Sources	\$ 6,429,426	\$ -	\$ -	\$ 1,502,662	\$ -
Federal Sources					
Restricted Grants-In-Aid Received Directly from the Federal Government through the State					
Food Service					
National School Lunch Program	\$ 685,486	\$ -	\$ -	\$ -	\$ -
School Breakfast Program	115,130	-	-	-	-
Title I					
Low Income	670,310	-	-	-	-
Federal - Special Education					
Preschool - Flow Through	54,622	-	-	-	-
IDEA - Flow Through/Low Incidence	1,077,242	-	-	-	-
IDEA - Room and Board	107,332	-	-	-	-
Title III - English Language Acquisition	66,785	-	-	-	-
Title II - Teacher Quality	115,211	-	-	-	-
Medicaid Matching Funds - Administrative Outreach	156,219	-	-	-	-
Medicaid Matching Funds - Fee-For-Service Program	591,553	-	-	-	-
Other Federal Sources	-	-	-	32,305	-
Total Federal Sources	\$ 3,639,890	\$ -	\$ -	\$ 32,305	\$ -
Total Direct Revenue	\$ 45,660,829	\$ 5,005,651	\$ 3,964,950	\$ 8,693,841	\$ 1,780,366

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF REVENUE RECEIVED
ALL FUNDS EXCEPT AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	CAPITAL PROJECTS	WORKING CASH	TORT	FIRE PREVENTION AND SAFETY	TOTAL (MEMORANDUM ONLY)
REVENUE RECEIVED					
Local Sources					
Ad Valorem Taxes Levied					
Designated Purpose Levies	\$ -	\$ 438,694	\$ 860,169	\$ 11,933	\$ 47,635,868
Special Education Purpose Levy	-	-	-	-	3,519,753
FICA/Medicare Only Purposes Levy	-	-	-	-	728,431
Payments in Lieu of Taxes					
Corporate Personal Property Replacement Taxes	-	-	-	-	346,756
Tuition					
Special Education Tuition from Other Districts (In State)	-	-	-	-	62,771
Transportation Fees					
Regular Trans. Fees from Pupils or Parents (In State)	-	-	-	-	18,901
Interest on Investments	1,079	18,002	730	432	257,782
Food Service					
Sales to Pupils - Lunch	-	-	-	-	556,590
District/School Activity Income					
Admissions - Athletic	-	-	-	-	1,860
Fees	-	-	-	-	53,775
Textbooks					
Rentals - Regular Textbook	-	-	-	-	197,277
Rentals	-	-	-	-	20,271
Contributions and Donations from Private Sources	15,970	-	-	-	16,172
Refund of Prior Years' Expenditures	-	-	-	-	27,973
Payments from Other Districts	-	-	-	-	1,157,803
Other Local Revenues	-	-	-	-	246,380
Total Local Sources	\$ 17,049	\$ 456,696	\$ 860,899	\$ 12,365	\$ 54,848,363
State Sources					
Unrestricted Grants-In-Aid					
General State Aid - Sec. 18-8	\$ 2,176,437	\$ -	\$ -	\$ -	\$ 6,840,340
Restricted Grants-In-Aid					
Special Education					
Private Facility Tuition	-	-	-	-	180,731
Extraordinary	-	-	-	-	433,275
Personnel	-	-	-	-	962,097
Orphanage - Individual	-	-	-	-	64,350
Bilingual Education					
Downstate - TPI & TBE	-	-	-	-	96,729
State Free Lunch and Breakfast	-	-	-	-	3,676
Transportation					
Regular/Vocational	-	-	-	-	746,718
Special Education	-	-	-	-	755,944
Early Childhood - Block Grant	-	-	-	-	24,665
Total State Sources	\$ 2,176,437	\$ -	\$ -	\$ -	\$ 10,108,525
Federal Sources					
Restricted Grants-In-Aid Received Directly from the Federal Government through the State					
Food Service					
National School Lunch Program	\$ -	\$ -	\$ -	\$ -	\$ 685,486
School Breakfast Program	-	-	-	-	115,130
Title I					
Low Income	-	-	-	-	670,310
Federal - Special Education					
Preschool - Flow Through	-	-	-	-	54,622
IDEA - Flow Through/Low Incidence	-	-	-	-	1,077,242
IDEA - Room and Board	-	-	-	-	107,332
Title III - English Language Acquisition	-	-	-	-	66,785
Title II - Teacher Quality	-	-	-	-	115,211
Medicaid Matching Funds - Administrative Outreach	-	-	-	-	156,219
Medicaid Matching Funds - Fee-For-Service Program	-	-	-	-	591,553
Other Federal Sources	-	-	-	-	32,305
Total Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ 3,672,195
Total Direct Revenue	\$ 2,193,486	\$ 456,696	\$ 860,899	\$ 12,365	\$ 68,629,083

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Instruction		
Regular Programs		
Salaries	\$ 17,222,000	\$ 17,170,231
Employee Benefits	2,748,000	2,638,210
Purchased Services	210,139	157,599
Supplies and Materials	1,006,231	761,121
Capital Outlay	267,500	726,102
Other Objects	-	3,773
Non-Capitalized Equipment	375,550	209,387
	<u>\$ 21,829,420</u>	<u>\$ 21,666,423</u>
Special Education Programs		
Salaries	\$ 6,407,000	\$ 6,235,802
Employee Benefits	988,500	1,049,468
Purchased Services	9,500	152,515
Supplies and Materials	100,000	71,606
Other Objects	15	-
Non-Capitalized Equipment	-	20,373
	<u>\$ 7,505,015</u>	<u>\$ 7,529,764</u>
Remedial and Supplemental Programs K-12		
Salaries	\$ 393,000	\$ 394,270
Employee Benefits	71,570	52,190
Purchased Services	11,000	35,250
Supplies and Materials	75,000	129,636
Non-Capitalized Equipment	10,000	77,954
	<u>\$ 560,570</u>	<u>\$ 689,300</u>
Interscholastic Programs		
Salaries	\$ 272,000	\$ 266,140
Employee Benefits	2,800	5,703
Purchased Services	17,000	14,935
Supplies and Materials	17,640	14,165
Other Objects	5,000	2,589
Non-Capitalized Equipment	6,600	665
	<u>\$ 321,040</u>	<u>\$ 304,197</u>
Summer School Programs		
Purchased Services	\$ 1,000	\$ -
Supplies and Materials	5,000	-
	<u>\$ 6,000</u>	<u>\$ -</u>
Bilingual Programs		
Salaries	\$ 2,091,050	\$ 2,193,171
Employee Benefits	351,600	372,893
Purchased Services	10,000	12,601
Supplies and Materials	30,200	27,402
Other Objects	1,000	59
Non-Capitalized Equipment	500	-
	<u>\$ 2,484,350</u>	<u>\$ 2,606,126</u>
Private Tuition - Other Objects		
Special Education Programs K-12	\$ 550,000	\$ 986,337
	<u>\$ 550,000</u>	<u>\$ 986,337</u>
Total Instruction	<u>\$ 33,256,395</u>	<u>\$ 33,782,147</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 960,000	\$ 917,570
Employee Benefits	113,700	117,734
Purchased Services	1,000	46,723
	<u>\$ 1,074,700</u>	<u>\$ 1,082,027</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
Pupils (Continued)		
Health Services		
Salaries	\$ 788,000	\$ 791,663
Employee Benefits	94,300	91,234
Purchased Services	57,500	198,072
Supplies and Materials	12,500	10,503
Other Objects	2,000	7,366
Non-Capitalized Equipment	2,500	17,940
	<u>\$ 956,800</u>	<u>\$ 1,116,778</u>
Psychological Services		
Salaries	\$ 675,000	\$ 664,120
Employee Benefits	75,850	78,437
Purchased Services	26,000	99,153
Supplies and Materials	500	-
	<u>\$ 777,350</u>	<u>\$ 841,710</u>
Speech Pathology and Audiology Services		
Salaries	\$ 1,245,000	\$ 1,220,426
Employee Benefits	109,900	124,061
Purchased Services	6,000	9,666
Supplies and Materials	1,000	-
	<u>\$ 1,361,900</u>	<u>\$ 1,354,153</u>
Total Support Services - Pupils	<u>\$ 4,170,750</u>	<u>\$ 4,394,668</u>
Instructional Staff		
Improvement of Instruction Services		
Salaries	\$ 215,000	\$ 224,269
Employee Benefits	31,200	31,336
Purchased Services	141,000	122,983
Supplies and Materials	58,200	52,952
Non-Capitalized Equipment	5,000	21,007
	<u>\$ 450,400</u>	<u>\$ 452,547</u>
Educational Media Services		
Supplies and Materials	\$ 38,100	\$ 37,773
	<u>\$ 38,100</u>	<u>\$ 37,773</u>
Assessment and Testing		
Purchased Services	\$ 10,000	\$ 30,550
Supplies and Materials	10,000	20,280
	<u>\$ 20,000</u>	<u>\$ 50,830</u>
Total Support Services - Instructional Staff	<u>\$ 508,500</u>	<u>\$ 541,150</u>
General Administration		
Board of Education Services		
Purchased Services	\$ 195,600	\$ 131,538
Supplies and Materials	3,000	1,597
Other Objects	30,000	36,172
	<u>\$ 228,600</u>	<u>\$ 169,307</u>
Executive Administration Services		
Salaries	\$ 430,000	\$ 418,405
Employee Benefits	28,500	28,384
Purchased Services	24,000	68,150
Supplies and Materials	12,500	55,002
Other Objects	14,000	17,214
Non-Capitalized Equipment	1,000	-
	<u>\$ 510,000</u>	<u>\$ 587,155</u>
Total Support Services - General Administration	<u>\$ 738,600</u>	<u>\$ 756,462</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
School Administration		
Office of the Principal Services		
Salaries	\$ 2,092,000	\$ 2,066,953
Employee Benefits	380,500	368,910
Purchased Services	3,500	1,307
Other Objects	15,000	17,386
	<u>\$ 2,491,000</u>	<u>\$ 2,454,556</u>
Other Support Services - School Administration		
Salaries	\$ 105,000	\$ 97,999
Employee Benefits	26,400	27,771
Purchased Services	500	475
	<u>\$ 131,900</u>	<u>\$ 126,245</u>
Total Support Services - School Administration	<u>\$ 2,622,900</u>	<u>\$ 2,580,801</u>
Business		
Direction of Business Support Services		
Salaries	\$ 170,000	\$ 166,784
Employee Benefits	20,300	20,644
Purchased Services	4,700	2,650
Supplies and Materials	12,700	11,358
Other Objects	3,000	5,358
	<u>\$ 210,700</u>	<u>\$ 206,794</u>
Fiscal Services		
Salaries	\$ 240,000	\$ 241,474
Employee Benefits	27,100	26,826
Purchased Services	4,000	4,669
Supplies and Materials	9,000	4,102
Other Objects	100	720
Non-Capitalized Equipment	7,000	-
	<u>\$ 287,200</u>	<u>\$ 277,791</u>
Operation and Maintenance of Plant Services		
Salaries	\$ 1,758,000	\$ 1,743,919
Employee Benefits	358,000	385,007
Purchased Services	11,000	9,057
	<u>\$ 2,127,000</u>	<u>\$ 2,137,983</u>
Food Services		
Salaries	\$ 529,000	\$ 508,102
Employee Benefits	149,000	133,395
Purchased Services	14,200	8,171
Supplies and Materials	738,700	642,153
Capital Outlay	5,000	-
Other Objects	2,000	2,883
Non-Capitalized Equipment	12,000	5,610
	<u>\$ 1,449,900</u>	<u>\$ 1,300,314</u>
Total Support Services - Business	<u>\$ 4,074,800</u>	<u>\$ 3,922,882</u>
Central		
Information Services		
Purchased Services	\$ 7,500	\$ 5,416
	<u>\$ 7,500</u>	<u>\$ 5,416</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
Central (Continued)		
Data Processing Services		
Salaries	\$ 458,000	\$ 458,541
Employee Benefits	83,700	80,527
Purchased Services	393,500	343,983
Capital Outlay	170,000	-
Other Objects	1,000	4,333
	<u>\$ 1,106,200</u>	<u>\$ 887,384</u>
Total Support Services - Central	<u>\$ 1,113,700</u>	<u>\$ 892,800</u>
Total Support Services	<u>\$ 13,229,250</u>	<u>\$ 13,088,763</u>
Community Services		
Salaries	\$ 10,000	\$ 12,343
Purchased Services	55,500	55,656
Supplies and Materials	250	84
Total Community Services	<u>\$ 65,750</u>	<u>\$ 68,083</u>
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ 490,000	\$ 340,396
Other Objects	207,000	-
	<u>\$ 697,000</u>	<u>\$ 340,396</u>
Total Payments to Other Districts and Governmental Units (In-State)	<u>\$ 697,000</u>	<u>\$ 340,396</u>
Payments to Other Districts and Governmental Units-Tuition (In-State)		
Other Objects		
Payments for Special Education Programs	\$ 680,000	\$ 844,063
Total Payments to Other Districts and Governmental Units-Tuition (In-State)	<u>\$ 680,000</u>	<u>\$ 844,063</u>
Total Payments to Other Districts and Governmental Units	<u>\$ 1,377,000</u>	<u>\$ 1,184,459</u>
Total Direct Expenditures	<u><u>\$ 47,928,395</u></u>	<u><u>\$ 48,123,452</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
OPERATIONS AND MAINTENANCE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Facilities Acquisition and Construction Services		
Purchased Services	\$ 131,000	\$ 23,023
Supplies and Materials	1,000	-
Capital Outlay	7,121,000	7,984,547
	<u>\$ 7,253,000</u>	<u>\$ 8,007,570</u>
Operation and Maintenance of Plant Services		
Salaries	\$ 234,000	\$ 194,622
Employee Benefits	34,800	13,765
Purchased Services	1,957,700	1,322,477
Supplies and Materials	1,204,300	955,552
Capital Outlay	99,500	127,524
Other Objects	1,000	411
Non-Capitalized Equipment	49,000	30,917
	<u>\$ 3,580,300</u>	<u>\$ 2,645,268</u>
 Total Support Services - Business	 <u>\$ 10,833,300</u>	 <u>\$ 10,652,838</u>
 Total Support Services	 <u>\$ 10,833,300</u>	 <u>\$ 10,652,838</u>
 Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Other Payments to In-State Government Units		
Other Objects	\$ 150,000	\$ -
	<u>\$ 150,000</u>	<u>\$ -</u>
 Total Payments to Other Districts and Governmental Units (In-State)	 <u>\$ 150,000</u>	 <u>\$ -</u>
 Total Payments to Other Districts and Governmental Units	 <u>\$ 150,000</u>	 <u>\$ -</u>
 Total Direct Expenditures	 <u><u>\$ 10,983,300</u></u>	 <u><u>\$ 10,652,838</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
DEBT SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Debt Services		
Interest		
Other Interest on Long-Term Debt		
Other Objects	\$ 1,570,925	\$ 1,570,925
Total Debt Services - Interest	<u>\$ 1,570,925</u>	<u>\$ 1,570,925</u>
Debt Services - Payment of Principal on Long-Term Debt		
Other Objects	\$ 2,021,137	\$ 2,021,137
Total Debt Services - Payment of Principal on Long-Term Debt	<u>\$ 2,021,137</u>	<u>\$ 2,021,137</u>
Total Debt Services	<u>\$ 3,592,062</u>	<u>\$ 3,592,062</u>
Total Direct Expenditures	<u>\$ 3,592,062</u>	<u>\$ 3,592,062</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Pupil Transportation Services		
Salaries	\$ 2,382,500	\$ 2,309,193
Employee Benefits	97,600	114,513
Purchased Services	1,437,700	1,290,285
Supplies and Materials	568,000	488,174
Capital Outlay	10,000	9,443
Other Objects	3,000	2,084
Non-Capitalized Equipment	70,000	51,908
	<u>\$ 4,568,800</u>	<u>\$ 4,265,600</u>
 Total Support Services - Business	 <u>\$ 4,568,800</u>	 <u>\$ 4,265,600</u>
 Total Support Services	 <u>\$ 4,568,800</u>	 <u>\$ 4,265,600</u>
 Provision for Contingencies	 <u>\$ 12,000</u>	 <u>\$ -</u>
 Total Direct Expenditures	 <u><u>\$ 4,580,800</u></u>	 <u><u>\$ 4,265,600</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Instruction		
Regular Programs		
Employee Benefits	\$ 288,000	\$ 440,410
Special Education Programs		
Employee Benefits	361,000	528,561
Remedial and Supplemental Programs - K-12		
Employee Benefits	7,000	8,087
Interscholastic Programs		
Employee Benefits	7,000	8,295
Bilingual Programs		
Employee Benefits	76,000	108,230
Total Instruction	<u>\$ 739,000</u>	<u>\$ 1,093,583</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Employee Benefits	\$ 15,000	\$ 19,958
Health Services		
Employee Benefits	95,000	159,516
Psychological Services		
Employee Benefits	20,000	23,646
Speech Pathology and Audiology Services		
Employee Benefits	17,000	23,039
Total Supports Services - Pupils	<u>\$ 147,000</u>	<u>\$ 226,159</u>
Instructional Staff		
Improvement of Instruction Services		
Employee Benefits	\$ 16,400	\$ 18,648
Total Support Services - Instructional Staff	<u>\$ 16,400</u>	<u>\$ 18,648</u>
General Administration		
Executive Administration Services		
Employee Benefits	\$ 34,000	\$ 45,344
Total Support Services - General Administration	<u>\$ 34,000</u>	<u>\$ 45,344</u>
School Administration		
Office of the Principal Services		
Employee Benefits	\$ 109,000	\$ 156,342
Other Support Services - School Administration		
Employee Benefits	21,000	27,363
Total Support Services - School Administration	<u>\$ 130,000</u>	<u>\$ 183,705</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
Business		
Direction of Business Support Services		
Employee Benefits	\$ 3,000	\$ 3,663
Fiscal Services		
Employee Benefits	47,000	65,089
Operation and Maintenance of Plant Services		
Employee Benefits	345,000	514,476
Pupil Transportation Services		
Employee Benefits	441,000	640,265
Food Services		
Employee Benefits	96,000	137,802
Total Support Services - Business	<u>\$ 932,000</u>	<u>\$ 1,361,295</u>
Central		
Data Processing Services		
Employee Benefits	\$ 64,000	\$ 95,581
Total Support Services - Central	<u>\$ 64,000</u>	<u>\$ 95,581</u>
Total Support Services	<u>\$ 1,323,400</u>	<u>\$ 1,930,732</u>
Community Services		
Employee Benefits	\$ 1,700	\$ 1,177
Total Community Services	<u>\$ 1,700</u>	<u>\$ 1,177</u>
Provision for Contingencies	<u>\$ 1,000,000</u>	<u>\$ -</u>
Total Direct Expenditures	<u><u>\$ 3,064,100</u></u>	<u><u>\$ 3,025,492</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Facilities Acquisition and Construction Services		
Purchased Services	\$ 115,000	\$ -
Supplies and Materials	1,000	-
Capital Outlay	2,725,000	2,831,825
Other Objects	1,000	599
Total Support Services - Business	<u>\$ 2,842,000</u>	<u>\$ 2,832,424</u>
Total Support Services	<u>\$ 2,842,000</u>	<u>\$ 2,832,424</u>
Total Direct Expenditures	<u><u>\$ 2,842,000</u></u>	<u><u>\$ 2,832,424</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
TORT FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
General Administration		
Workers' Compensation or Worker's Occupational Disease Act		
Other Objects	\$ 524,592	\$ 524,592
	<u>\$ 524,592</u>	<u>\$ 524,592</u>
Insurance Payments		
Other Objects	\$ 170,717	\$ 106,917
	<u>\$ 170,717</u>	<u>\$ 106,917</u>
Total Support Services - General Administration	<u>\$ 695,309</u>	<u>\$ 631,509</u>
Total Support Services	<u>\$ 695,309</u>	<u>\$ 631,509</u>
Total Direct Expenditures	<u><u>\$ 695,309</u></u>	<u><u>\$ 631,509</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
FIRE PREVENTION AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Operation and Maintenance of Plant Services		
Supplies and Materials	\$ 12,000	\$ -
	<u>\$ 12,000</u>	<u>\$ -</u>
 Total Support Services - Business	 <u>\$ 12,000</u>	 <u>\$ -</u>
 Total Support Services	 <u>\$ 12,000</u>	 <u>\$ -</u>
 Total Direct Expenditures	 <u><u>\$ 12,000</u></u>	 <u><u>\$ -</u></u>

The Notes to Financial Statements are an integral part of this statement.

MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McHenry Community Consolidated School District No. 15's (District) accounting policies conform to the cash basis of accounting as defined by the Illinois State Board of Education Audit Guide.

A. Principles Used to Determine Scope of Entity

The reporting entity includes the governing board and all related organizations for which the District exercises oversight responsibility.

The District has developed criteria to determine whether outside agencies with activities which benefit its citizens, including joint agreements which serve pupils from numerous districts, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The joint agreement has been determined not to be part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and is therefore excluded from the accompanying financial statements because the District does not control the assets, operations, or management of the joint agreement. In addition, the District is not aware of any entity which would exercise such oversight as to result in the District being considered a component unit of the entity.

B. Basis of Presentation – Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities arising from cash transactions, fund balance, revenue received, and expenditures disbursed. The District maintains individual funds required by the State of Illinois.

These funds are grouped as required for reports filed with the Illinois State Board of Education. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds and account groups are used by the District:

Educational Fund – The Educational Fund is the general operating fund of the District. It is used to account for all transactions that are not specifically covered in another fund. Certain expenditures that must be charged to this fund include the direct costs of instructional programs, health and attendance services, lunch programs, all costs of administration and related insurance costs. Certain revenues that must be credited to this fund include educational tax levies, tuition, and textbook rentals. Special Education is included in this fund.

Operations and Maintenance Fund – The Operations and Maintenance Fund is used to account for all costs of maintaining, improving, or repairing school buildings and property, renting buildings and property for school purposes, or paying of premiums for insurance on school buildings. Operations of this fund are generally financed by a special tax levied for these purposes.

Debt Services Fund – The Debt Services Fund is used to account for all principal, interest, and administrative costs for tax-financed bond payments. Operations of this fund are generally financed by a special tax levied for these purposes.

NOTES TO FINANCIAL STATEMENTS (Continued)

Transportation Fund – The Transportation Fund is used to account for the costs associated with transporting pupils for any purpose. Revenue received for transportation purposes from any source must be deposited into this fund, including property taxes levied and state grants received for these purposes.

Illinois Municipal Retirement/Social Security Fund – The Illinois Municipal Retirement/Social Security Fund is used to account for costs of providing retirement benefits under Illinois Municipal Retirement Fund and Social Security if there are separate taxes levied for these purposes. If separate taxes are not levied for these purposes, then the payments shall be charged to the fund where the salaries are charged.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and contributions and donations from private sources.

Working Cash Fund – The Working Cash Fund is used to account for a separate tax levied for working cash purposes and for any bonds sold for this purpose. Cash available in this fund may be loaned to any fund of the District.

Tort Fund – The Tort Fund is used to account for the proceeds of specific revenue sources that are legally restricted for tort expenditures.

Fire Prevention and Safety Fund – The Fire Prevention and Safety Fund is used to account for the proceeds of specific revenue sources that are legally restricted for fire prevention and safety projects.

Agency Fund – The Agency Fund is used to account for Student Activity Funds and Convenience Accounts, which are assets held by the District as an agent for the students and teachers. This fund is custodial in nature and does not involve the measurement of the results of operations. The amounts due to the Activity Fund organizations are equal to the assets.

General Fixed Assets Account Group – The General Fixed Assets Account Group is used to record physical assets of the District that have a long-term (i.e. more than one year) period of usefulness.

General Long-Term Debt Account Group – The General Long-Term Debt Account Group is used to record total bonded debt and other long-term debt of the District.

Measurement Focus

The financial statements of all funds, except the agency fund and two account groups, focus on the measurement of spending or “financial flow” and the determination of changes in financial position rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Fund operating statements present increases (cash receipts and other financing sources) and decreases (cash disbursements and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

General Fixed Assets and General Long-Term Debt Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Fixed assets used in operations are accounted for in the General Fixed Assets Account Group rather than in the funds. Long-term liabilities expected to be financed from the individual funds are accounted for in the General Long-Term Debt Account Group, not in the funds.

The two account groups are not “funds”. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

C. Basis of Accounting

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The District maintains its accounting

NOTES TO FINANCIAL STATEMENTS (Continued)

records for all funds and account groups on the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Proceeds from sales of bonds are included as other financing sources in the appropriate fund on the date received. Related bond principal payable in the future is recorded at the same time in the General Long-Term Debt Account Group.

If the District utilized accounting principles generally accepted in the United States of America, the basic financial statements would be replaced with government-wide financial statements and fund financial statements. The fund financial statements would use the modified accrual basis of accounting. The government-wide financial statements would be presented on the accrual basis of accounting.

D. *Budgets and Budgetary Accounting*

The budget for all funds is prepared on the cash basis of accounting which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with Chapter 105, Section 5/17-1 of the Illinois Compiled Statutes. The budget was passed on September 27, 2016 and was not amended.

For each fund, total fund disbursements may not legally exceed the budgeted disbursements. The budget lapses at the end of each fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Board of Education may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

E. *Cash and Cash Equivalents and Investments*

Separate bank accounts are not maintained for all District funds. Instead, the funds maintain their uninvested cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other District funds and are, therefore, interfund loans which have not been authorized by School Board action.

No District fund had a cash overdraft at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (Continued)

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Municipal Bond Investments are stated at amortized cost. All other investments are stated at the lower of cost or market. Gains or losses on the sale of investments are recognized upon realization.

F. *Inventories*

It is the District's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the values of resale or supply items on hand.

G. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate. All other interfund transactions are treated as transfers.

H. *General Fixed Assets*

General fixed assets have been acquired for general governmental purposes. At the time of purchase, assets are recorded as disbursements in the funds for which the asset was purchased and capitalized at cost in the General Fixed Assets Account Group. Donated general fixed assets are stated at estimated fair market value as of the date of acquisition. Depreciation accounting is not considered applicable (except to determine the per capita tuition charge, which is calculated on a straight-line basis with useful lives of 50 years for Buildings, 20 years for Improvements Other than Buildings, and 5 to 10 years for Equipment). Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost.

I. *Governmental Fund Balances*

Governmental fund balances are reported as "reserved" because they are legally segregated for a specific future use. The remaining balances are "unreserved" fund balances. From time to time, the Board agrees to set aside or "designate" resources for future uses – such as for specific capital projects. These unreserved, designated balances are based on management's tentative plans and can be changed.

J. *Property Tax Calendar and Revenues*

Property taxes are levied each calendar year on all taxable real property located in the District on or before the last Tuesday in December. The 2016 tax levy was passed by the Board on December 13, 2016. The 2015 tax levy was passed by the Board on December 8, 2015. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The District receives significant distributions of tax receipts within one month after these dates.

K. *Total Memorandum Only*

The "Total Memorandum Only" column represents the aggregation (by addition) of the line item amounts reported for each fund and account group. No consolidating or other eliminations were made in arriving at the totals; thus they do not present consolidated information.

These totals are presented only to facilitate financial analysis and are not intended to reflect the financial position or results of operations of the District as a whole.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are fully insured or collateralized by securities held in the District's name.

NOTES TO FINANCIAL STATEMENTS (Continued)

The District is allowed to invest in securities as authorized by the School Code of Illinois, Chapter 30, Section 235/2 and 6; and Chapter 105, Section 5/8-7.

Investments

The following table categorizes the investments according to levels of risk:

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
State Investment Pool	\$ 4,939,596	\$ 4,939,596	\$ -	\$ -	\$ -
Government Bonds	155,000	155,000	-	-	-
	<u>\$ 5,094,596</u>	<u>\$ 5,094,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of investments in the State Investment Pool is the same as the value of pool shares. The State Investment Pool is not SEC-registered, but does have regulatory oversight through the State of Illinois.

Interest Rate Risk. The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments based on credit risk. The District's investment policy further limits its investment choices to ensure that capital loss, whether from credit or market risk, is avoided. As of June 30, 2017, the District's investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pool	AAAm	Standard and Poor's
Government Bonds	B	Standard and Poor's
Government Bonds	A3	Moody's
Government Bonds	A3	Moody's

NOTE 3 - FAIR VALUE MEASUREMENT

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2017:

Investments by fair value level	6/30/2017	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Certificates of Deposit	\$ 23,744,150	\$ -	\$ 23,744,150
Term Series	400,000	-	400,000
Municipal Bonds	155,000	-	155,000
Total Investments by fair value level	<u>\$ 24,299,150</u>	<u>\$ -</u>	<u>\$ 24,299,150</u>

All investments are priced using evaluated pricing.

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Land	\$ 1,556,074	\$ -	\$ -	\$ 1,556,074
Building and Building Improvements	66,196,853	13,432,909	-	79,629,762
Site Improvements and Infrastructure	2,156,979	-	-	2,156,979
Capitalized Equipment	8,795,015	849,024	-	9,644,039
Construction in Progress	1,927,657	-	1,927,657	-
	<u>\$ 80,632,578</u>	<u>\$ 14,281,933</u>	<u>\$ 1,927,657</u>	<u>\$ 92,986,854</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CHANGES IN GENERAL LONG-TERM DEBT

Changes in general long-term debt are summarized as follows:

	Balance July 1, 2016	Additions	Retirement	Balance June 30, 2017
Long-Term Debt				
Bonds Payable				
School Bonds Dated: 2/15/07	\$ 4,381,942	\$ -	\$ 2,021,137	\$ 2,360,805
Refunding School Bonds, Series 2010A	5,890,000	-	-	5,890,000
Taxable Refunding School Bonds, Series 2010B	4,170,000	-	-	4,170,000
Total Long-Term Debt	\$ 14,441,942	\$ -	\$ 2,021,137	\$ 12,420,805

Long-term debt payable consisted of the following at June 30, 2017:

	Maturity Date	Interest Rate	Face Amount	Carrying Amount
General Obligation School Bonds Dated 2/15/07	1/1/2019	4.13%-4.38%	\$ 11,395,908	\$ 2,360,805
General Obligation Refunding School Bonds, Series 2010A	1/1/2020	3.50%-3.75%	5,890,000	5,890,000
General Obligation Taxable Refunding School Bonds, Series 2010B	1/1/2019	4.75%-5.00%	4,170,000	4,170,000

At June 30, 2017 the annual debt service requirements to service all long-term debt is as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 2,563,825	\$ 1,700,175	\$ 4,264,000
2019	4,341,980	551,895	4,893,875
2020	5,515,000	103,406	5,618,406
	<u>\$ 12,420,805</u>	<u>\$ 2,355,476</u>	<u>\$ 14,776,281</u>

NOTE 6 - SPECIAL TAX LEVIES AND RESERVED EQUITY

Social Security Tax Levy

Cash receipts and the related cash disbursements of this reserved tax levy are accounted for in the Illinois Municipal Retirement/Social Security Fund. A portion, \$586,106, of this fund's equity represents the excess of cumulative receipts over cumulative disbursements which is restricted for future social security disbursements.

Receipts	
Property Taxes	\$ 728,431
Replacement Taxes	15,568
Interest	6,523
Total Receipts	\$ 750,522
Expenditures	
Social Security Expenditures	\$ 1,099,719
Total Expenditures	\$ 1,099,719
Receipts Over/(Under) Expenditures	\$ (349,197)
Reserved at July 1, 2016	935,303
Reserved at June 30, 2017	\$ 586,106

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - DESIGNATED FUND BALANCE

A. *Property Tax Receipts*

The District has designated receipts from the 2016 tax levy for expenditures to be incurred during fiscal year 2018. At June 30, 2017 the following balances were designated:

Fund	Amount
Educational	\$ 16,032,187
Operations and Maintenance	2,519,051
Debt Services	2,182,254
Transportation	2,690,792
Illinois Municipal Retirement/Social Security	382,570
Working Cash	228,502
Tort	441,256
Fire Prevention and Safety	6,101
	<u>\$ 24,482,713</u>

B. *Health Insurance*

The District has established a separate bank account to be designated for the future payment of possible insurance claims arising from the District's minimum premium payment insurance plan for its health and dental insurance. At June 30, 2017 the following balances were designated:

Fund	Amount
Educational	<u>\$ 2,198,717</u>

NOTE 8 - DEFICIT FUND BALANCE

No District fund had a deficit fund balance at June 30, 2017.

NOTE 9 - PROPERTY TAXES

Taxes recorded in these financial statements are from the 2016 (\$26,697,175) and 2015 (\$25,186,877) tax levies.

A summary of the past three years' assessed valuations, tax rates, and extensions follows:

McHENRY COUNTY

Tax Year	2016		2015		2014	
Assessed Valuation	\$911,995,455		\$844,315,918		\$838,788,393	
	Rate	Extension	Rate	Extension	Rate	Extension
Educational	3.3902	\$ 30,918,835	3.5000	\$ 29,551,057	3.5000	\$ 29,357,594
Tort Immunity	0.0933	850,983	0.0990	835,873	0.0979	821,174
Special Education	0.3874	3,532,888	0.3989	3,368,061	0.4000	3,355,154
Operations and Maintenance	0.5327	4,858,108	0.5487	4,632,761	0.5500	4,613,336
Transportation	0.5690	5,189,327	0.7709	6,509,000	0.6979	5,853,527
Municipal Retirement	0.0809	737,804	0.0818	690,313	0.1045	876,668
Debt Service	0.4614	4,207,911	0.4184	3,532,390	0.3446	2,890,079
Social Security	0.0809	737,804	0.0818	690,313	0.1045	876,668
Fire Prevention and Safety	0.0013	11,765	0.0014	11,820	0.0014	11,852
Working Cash	0.0483	440,676	0.0499	420,891	0.0500	419,394
	<u>5.6454</u>	<u>\$ 51,486,101</u>	<u>5.9508</u>	<u>\$ 50,242,479</u>	<u>5.8508</u>	<u>\$ 49,075,446</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

LAKE COUNTY

Tax Year	2016		2015		2014	
Assessed Valuation	\$14,986,778		\$14,264,376		\$13,636,233	
	Rate	Extension	Rate	Extension	Rate	Extension
Educational	3.3902	\$ 508,089	3.3822	\$ 482,453	3.5000	\$ 477,268
Tort Immunity	0.0933	13,985	0.0957	13,647	0.0590	8,045
Special Education	0.3874	58,057	0.3855	54,988	0.4000	54,545
Operations and Maintenance	0.5327	79,834	0.5302	75,634	0.5500	74,999
Transportation	0.5690	85,268	0.9311	132,822	0.7367	100,462
Municipal Retirement	0.0809	12,125	0.0790	11,271	0.1045	14,252
Debt Service	0.4660	69,840	0.4226	60,275	0.3480	47,454
Social Security	0.0809	12,126	0.0790	11,271	0.1045	14,252
Fire Prevention and Safety	0.0013	194	0.0014	193	0.0014	197
Working Cash	0.0483	7,243	0.0482	6,871	0.0500	6,818
	5.6500	\$ 846,761	5.9549	\$ 849,425	5.8541	\$ 798,292

NOTE 10 - OVEREXPENDITURE OF BUDGET

For the year ended June 30, 2017, the following fund had expenditures that exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
Educational Fund	\$ 47,928,395	\$ 48,123,452	\$ 195,057

NOTE 11 - OPERATING LEASES, AS LESSEE

The District, as lessee, leases buses, copiers, and chrome books.

Estimated minimum annual rentals are as follows:

Year Ending June 30	Amount
2018	\$ 1,774,662
2019	1,461,493
2020	1,382,894
2021	1,478,702
2022	727,638
2023 - 2027	454,162
	<u>\$ 7,279,551</u>

Rental expense for all operating leases for the year ended June 30, 2017 was \$1,224,564.

NOTE 12 - RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

General Information About the Pension Plan

Plan Description

The District participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

NOTES TO FINANCIAL STATEMENTS (Continued)

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr.htm>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

Benefits Provided

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with ten years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last ten years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2% of final average salary up to a maximum of 75% with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with ten years of service, or a discounted annuity can be paid at age 62 with ten years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I retirees receive an annual 3% increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of 3% of the original benefit or ½% of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Contributions

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016 was 9.4% of creditable earnings. On July 1, 2016, the rate dropped to 9.0% of pay due to the expiration of the Early Retirement Option (ERO). The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On-Behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2017, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective net pension liability associated with the District, and the District recognized revenue and expenditures of \$21,862,115 in pension contributions from the State of Illinois.

2.2 Formula Contributions. Employers contribute 0.58% of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2017 were \$169,190.

Federal and Special Trust Fund Contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2017, the District pension contribution was 38.54% of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$394,270 were paid from federal and special trust funds that required District contributions of \$151,952.

Employer Retirement Cost Contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members retiring under the ERO. The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2017, the District paid \$0 to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6% if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2017, the District paid \$1,482 to TRS for employer contributions due on salary increases in excess of 6% and \$0 for sick leave days granted in excess of the normal annual allotment.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District has a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the District. The State's support and total are for disclosure purposes only. The District's proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 6,332,149
State's proportionate share of the net pension liability associated with the District	222,614,645
Total Net Pension Liability	<u>\$ 228,946,794</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to TRS for the measurement year ended June 30, 2016, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2016, the District's proportion was 0.0080219%, which was a decrease of 0.00014% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$21,862,115 and revenue of \$21,862,115 for support provided by the State. At June 30, 2017, the deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 46,821	\$ (4,295)	\$ 42,526
Net difference between projected and actual earnings on pension plan investments	178,894	-	178,894
Changes of assumptions	543,837	-	543,837
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(765,425)	(765,425)
Employer contributions subsequent to the measurement date	321,142	-	321,142
	<u>\$ 1,090,694</u>	<u>\$ (769,720)</u>	<u>320,974</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

\$321,142 of deferred outflows of resources related to pensions results from employer contributions subsequent to the measurement date. Other deferred outflows of resources and deferred inflows of resources related to pensions will be part of the pension expense in future years as follows:

Year Ending June 30	
2018	\$ (169,718)
2019	(169,718)
2020	150,934
2021	165,347
2022	22,988
	<u>\$ (167)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	varies by amount of service credit
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.5% to 7.0%. Salary increase assumptions were lowered from their 2015 levels. Other assumptions were based on the 2015 experience analysis which increased retirement rates, improved mortality assumptions and made other changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6%	8.09%
International equities developed	14.4%	7.46%
Emerging market equities	3.6%	10.15%
U.S. bonds core	10.7%	2.44%
International debt developed	5.3%	1.70%
Real estate	15.0%	5.44%
Commodities (real return)	11.0%	4.28%
Hedge Funds (absolute return)	8.0%	4.16%
Private Equity	14.0%	10.63%
Total	<u>100.0%</u>	

Discount Rate

At June 30, 2016, the discount rate used to measure total pension liability was a blended rate of 6.83%, which was a change from the June 30, 2015 rate of 7.47%. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

NOTES TO FINANCIAL STATEMENTS (Continued)

Based on those assumptions, TRS's fiduciary net position at June 30, 2016 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47%. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well because TRS's fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.83%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.83%) or 1-percentage-point-higher (7.83%) than the current rate.

	1% Decrease 5.83%	Current Discount Rate 6.83%	1% Increase 7.83%
Employer's proportionate share of the net pension liability	\$ 7,744,475	\$ 6,332,149	\$ 5,178,653

TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2016 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

B. Illinois Municipal Retirement Fund

Plan Description

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired **before** January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits)

NOTES TO FINANCIAL STATEMENTS (Continued)

with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last ten years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired **on or after** January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last ten years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. At December 31, 2016, the measurement date, the District's membership consisted of:

Retirees and beneficiaries currently receiving benefits	176
Inactive plan members entitled to but not yet receiving benefits	269
Active plan members	333
Total	<u>778</u>

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2016 was 22.31%. For the fiscal year ended June 30, 2017, the District contributed \$1,926,494 to the plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2016, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$	29,714,192
IMRF Fiduciary Net Position		25,278,082
District's Net Pension Liability		4,436,110
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability		85.07%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the Supplemental Financial Information following the notes to the financial statements for additional information related to the funded status of the plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions:

Assumptions	
Inflation	2.75%
Salary Increases	3.75% to 14.50% including inflation
Interest Rate	7.50%
Asset Valuation Method	Market value of assets
Projected Retirement Age	Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.

The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

Asset Class	Target Allocation	Projected Return
Equities	38.0%	6.85%
International Equities	17.0%	6.75%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	5.75%
Alternatives	9.0%	
Private Equity		7.35%
Hedge Funds		5.25%
Commodities		2.65%
Cash	1.0%	2.25%
	<u>100.0%</u>	

Single Discount Rate

The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and

NOTES TO FINANCIAL STATEMENTS (Continued)

2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this discount rate, the expected rate of return on plan investments is 7.50%; the municipal bond rate is 3.78%; and resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 27,526,263	\$ 22,377,230	\$ 5,149,033
Changes for the year:			
Service Cost	\$ 925,023	\$ -	\$ 925,023
Interest on the Total Pension Liability	2,052,393	-	2,052,393
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	385,727	-	385,727
Changes of Assumptions	(74,480)	-	(74,480)
Contributions - Employer	-	1,907,182	(1,907,182)
Contributions - Employee	-	384,927	(384,927)
Net Investment Income	-	1,505,449	(1,505,449)
Benefit Payments, Including Refunds of Employee Contributions	(1,100,734)	(1,100,734)	-
Other (Net Transfer)	-	204,028	(204,028)
Net Changes	\$ 2,187,929	\$ 2,900,852	\$ (712,923)
Balances at December 31, 2016	\$ 29,714,192	\$ 25,278,082	\$ 4,436,110

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower 6.50%	Current Discount Rate 7.50%	1% Higher 8.50%
Net Pension Liability	\$ 8,461,196	\$ 4,436,110	\$ 1,125,638

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the District's pension expense is \$1,518,474. At June 30, 2017, the District's deferred outflows of resources and deferred inflows of resources related to pension from the following sources were as follows:

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Expense in Future Periods			
Differences between expected and actual experience	\$ 598,177	\$ 55,950	\$ 542,227
Changes of assumptions	313,344	56,105	257,239
Net difference between projected and actual earnings on pension plan investments	1,231,919	-	1,231,919
Total deferred amounts to be recognized in pension expense in future periods	\$ 2,143,440	\$ 112,055	\$ 2,031,385
Pension contributions made subsequent to the measurement date	499,402	-	499,402
Total deferred amounts related to pensions	\$ 2,642,842	\$ 112,055	\$ 2,530,787

NOTES TO FINANCIAL STATEMENTS (Continued)

Deferred outflows of resources and deferred inflows of resources related to pensions will be part of the pension expense in future years as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2017	\$ 860,633
2018	674,180
2019	447,446
2020	49,126
2021	-
Thereafter	-
	<u>\$ 2,031,385</u>

C. Social Security

Employees not qualifying for coverage under the Teachers' Retirement System of the State of Illinois or the Illinois Municipal Retirement Fund are considered "non-participating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The District paid the total required contribution for the current fiscal year.

NOTE 13 - POST EMPLOYMENT BENEFIT COMMITMENTS

A. Retiree Paid Insurance

Plan Overview

The District provides post-employment benefits other than pensions ("OPEB") to employees who meet certain criteria. The Plan, a single-employer defined benefit plan, provides limited healthcare benefits to retirees. The Plan does not issue a stand-alone financial report.

Membership in the Plan consisted of the following at June 30, 2017:

Retirees and beneficiaries receiving benefits	24
Active vested plan members	22
Active nonvested plan members	468
Total	<u>514</u>

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 66,700
Interest on net OPEB obligation	50,737
Adjustment to annual required contribution	(42,281)
Annual OPEB cost (expense)	<u>\$ 75,156</u>
Contributions made	56,796
Increase in net OPEB obligation	<u>\$ 18,360</u>
Net OPEB obligation - beginning of year	1,268,430
Net OPEB obligation - end of year	<u>\$ 1,286,790</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 75,156	\$ 56,796	75.6%	\$ 1,286,790
6/30/2016	57,556	67,836	117.9%	1,268,430
6/30/2015	55,742	66,542	119.4%	1,278,710

Funded Status and Funding Progress

The Schedule of Funding Progress, presented as Supplemental Financial Information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The following includes actuarial assumptions:

Actuarial Cost Method	Entry Age
Amortization Period	Level Percentage of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	N/A
Investment Rate of Return	4%
Projected Salary Increases	4%
Healthcare Inflation Rate	7.5% initial, 5.5% ultimate
Percentage of Active Employees Assumed to Elect Benefit	100%
Employer Provided Benefit	Explicit: \$175 to age 65 Implicit: 40% of premium to age 65

B. *Teacher Health Insurance Security Fund (THIS)*

The District participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

The percentage of employer required contributions in the future will not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year.

NOTES TO FINANCIAL STATEMENTS (Continued)

- On behalf contributions to the THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members which were 1.12% of pay during the year ended June 30, 2017. State of Illinois contributions were \$326,711, and the District recognized revenue and expenditures of this amount during the year.

- Employer contributions to the THIS Fund

The District also makes contributions to the THIS Fund. The District THIS Fund contribution was 0.84% during the year ended June 30, 2017. For the year ended June 30, 2017, the District paid \$245,033 to the THIS Fund, which was 100% of the required contribution.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General (<http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>). The current reports are listed under "Central Management Services" (<http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp>). Prior reports are available under "Healthcare and Family Services" (<http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp>).

NOTE 14 - INTERFUND TRANSFERS

A summary of interfund transfers is as follows:

Transfer From	Transfer To	Amount
Transportation Fund	Operations and Maintenance Fund	\$ 4,000,000

The purpose of the transfers was to provide monies for the fund with need.

NOTE 15 - JOINT VENTURE – SPECIAL EDUCATION DISTRICT OF McHENRY COUNTY (SEDOM)

The District and sixteen other districts within McHenry County have entered into a joint agreement to provide special education programs and services to the students enrolled. Each member district has a financial responsibility for annual and special assessments as established by the management council.

A summary of financial condition (cash basis) of SEDOM at June 30, 2016 (most recent information available) is as follows:

Assets	\$ 10,775,914
Liabilities	\$ 153,276
Fund Equity	10,622,638
	<u>\$ 10,775,914</u>
Revenues Received	\$ 12,127,348
Expenditures Disbursed	11,900,345
Net Increase/(Decrease) in Fund Balance	<u>\$ 227,003</u>

Complete financial statements for SEDOM can be obtained from the Administrative Offices at 1200 Claussen Drive, Woodstock, Illinois 60098.

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to handle these risks of loss.

NOTES TO FINANCIAL STATEMENTS (Continued)

The District is a member of the Collective Liability Insurance Cooperative (CLIC), a joint risk management pool of school districts through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between the District and CLIC is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The District is contractually obligated to make all annual and supplementary contributions for CLIC, to report claims on a timely basis, cooperate with CLIC, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by CLIC. Members have a contractual obligation to fund any deficit of CLIC attributable to a membership year during which they were members.

CLIC is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. CLIC also provides its members with risk management services, including the defense and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

The District is self-insured for its health and dental insurance. The District covers up to \$135,000 per year per individual. The District purchases stop loss insurance coverage for claims in excess of \$135,000 per individual and for claims in excess of the aggregate maximum plan liability. The third party administrator, Benefit Systems Services, Inc., has determined the maximum annual liability to the District was \$5,988,972 as of June 30, 2017. A summary of claim transactions for the fiscal year ended June 30, 2017 is as follows:

Incurred Claims	\$ 6,652,155
Payments on Claims	(4,488,356)

During the year ended June 30, 2017, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage. The District is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2017, there were no significant adjustments in premiums based on actual experience.

NOTE 17 - CONTINGENCIES

The District is not aware of any pending litigation or potential nondisclosed liabilities that management believes would have a material adverse effect on the financial statements.

NOTE 18 - LEGAL DEBT LIMITATION

The Illinois Compiled Statutes limits the amount of indebtedness to 6.9% of the most recent available equalized assessed valuation (EAV) of the District. The District's legal debt limitation is as follows:

2016 EAV	\$ 926,982,233
Rate	6.90%
Debt Margin	\$ 63,961,774
Current Debt	12,420,805
Remaining Debt Margin	<u>\$ 51,540,969</u>

NOTE 19 - CONSTRUCTION COMMITMENTS

At June 30, 2017 the District has ongoing contracts for remodeling work to all of the school buildings in the district as well as the District offices. The projects have outstanding commitments of \$1,015,826 that have not been included as expenses in these financial statements.

SUPPLEMENTAL FINANCIAL INFORMATION

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
JUNE 30, 2017

	6/30/2017 *	6/30/2016 *	6/30/2015 *
TOTAL PENSION LIABILITY			
Service Cost	\$ 925,023	\$ 891,301	\$ 882,969
Interest on the Total Pension Liability	2,052,393	1,872,673	1,677,370
Differences Between Expected and Actual Experience	385,727	602,248	(205,188)
Changes of Assumptions	(74,480)	34,890	1,083,801
Benefit Payments, Including Refunds of Member Contributions	(1,100,734)	(863,011)	(748,472)
Net Change in Total Pension Liability	<u>\$ 2,187,929</u>	<u>\$ 2,538,101</u>	<u>\$ 2,690,480</u>
Total Pension Liability - Beginning	<u>27,526,263</u>	<u>24,988,162</u>	<u>22,297,682</u>
Total Pension Liability - Ending	<u>\$ 29,714,192</u>	<u>\$ 27,526,263</u>	<u>\$ 24,988,162</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 1,907,182	\$ 888,563	\$ 823,600
Contributions - Member	384,927	390,675	355,330
Net Investment Income	1,505,449	112,668	1,274,675
Benefit Payments, Including Refunds of Member Contributions	(1,100,734)	(863,011)	(748,472)
Other (Net Transfers)	204,028	(477,108)	(60,772)
Net Change in Plan Fiduciary Net Position	<u>\$ 2,900,852</u>	<u>\$ 51,787</u>	<u>\$ 1,644,361</u>
Plan Net Position - Beginning	<u>22,377,230</u>	<u>22,325,443</u>	<u>20,681,082</u>
Plan Net Position - Ending	<u>\$ 25,278,082</u>	<u>\$ 22,377,230</u>	<u>\$ 22,325,443</u>
District's Net Pension Liability	<u>\$ 4,436,110</u>	<u>\$ 5,149,033</u>	<u>\$ 2,662,719</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.07%	81.29%	89.34%
Covered-Valuation Payroll	\$ 8,550,251	\$ 8,198,604	\$ 7,576,818
Employer's Net Pension Liability as a Percentage of Covered-Valuation Payroll	51.88%	62.80%	35.14%

* This information presented is based on the actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTION
JUNE 30, 2017

	6/30/2017 *	6/30/2016 *	6/30/2015 *
Actuarially-Determined Contribution	\$ 907,182	\$ 877,251	\$ 823,600
Contributions in Relation to Actuarially-Determined Contribution	1,907,182	888,563	823,600
Contribution Deficiency/(Excess)	\$ (1,000,000)	\$ (11,312)	\$ -
Covered-Valuation Payroll	\$ 8,550,251	\$ 8,198,604	\$ 7,576,818
Contributions as a Percentage of Covered-Valuation Payroll	22.31%	10.84%	10.87%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2016 Contribution Rate *

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Actuarial Cost Method: Aggregate entry age = normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 27-year closed period

Asset Valuation Method: 5-year smoothed market; 20% corridor

Wage Growth: 3.5%

Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 3.75% to 14.50%, including inflation

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

Mortality: RP-2014 Blue Collar Healthy Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2017

	6/30/2017 *	6/30/2016 *	6/30/2015 *
Employer's proportion of the Net Pension Liability	0.0080219%	0.0081619%	0.0083358%
Employer's proportionate share of the Net Pension Liability	\$ 6,332,149	\$ 5,346,877	\$ 5,073,033
State's proportionate share of the Net Pension Liability associated with the employer	222,614,645	174,745,548	160,814,323
Total	<u>\$ 228,946,794</u>	<u>\$ 180,092,425</u>	<u>\$ 165,887,356</u>
Employer's Covered-Employee Payroll	\$ 28,216,515	\$ 27,002,740	\$ 26,086,819
Employer's proportionate share of the Net Pension Liability as a percentage of Covered-Employee Payroll	22.44%	19.80%	19.45%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	36.40%	41.50%	43.00%

* - The amounts presented were determined as of the prior fiscal-year end

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

Changes of Assumptions:

For the 2016 measurement year, the assumed investment rate of return was of 7.0%, including an inflation rate of 2.5% and a real return of 4.5%. Salary increases were assumed to vary by service credit.

For the 2015 measurement year, the assumed investment rate of return was 7.5%, including an inflation rate of 3.0% and a real return of 4.5%. Salary increases were assumed to vary by service credit. Various other changes in assumptions were adopted based on the experience analysis for the three-year period ending June 30, 2014.

For the 2014 measurement year, the assumed investment rate of return was also 7.5%, including an inflation rate of 3.0% and a real return of 4.5%. However, salary increases were assumed to vary by age.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTION
JUNE 30, 2017

	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Statutorily-required contribution	\$ 310,664	\$ 285,993	\$ 297,536
Contributions in relation to statutorily-required contribution	<u>308,340</u>	<u>286,081</u>	<u>297,536</u>
Contribution deficiency/(excess)	<u>\$ 2,324</u>	<u>\$ (88)</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 28,216,515	\$ 27,002,740	\$ 26,086,819
Contributions as a percentage of covered-employee payroll	1.09%	1.06%	1.14%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

* - This information presented is based on the actuarial valuation performed as of the prior June 30 year end.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15
RETIREE PAID INSURANCE
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Unit Credit (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll ((b-a)/c)
7/1/2016	\$ -	\$ 709,365	\$ 709,365	0%	\$ 19,418,080	4%
7/1/2014	-	592,688	592,688	0%	N/A	N/A
6/30/2013	-	804,489	804,489	0%	N/A	N/A

See Accompanying Independent Auditor's Report

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
A S S E T S				
Cash and Cash Equivalent:	<u>\$ 73,590</u>	<u>\$ 127,536</u>	<u>\$ 142,075</u>	<u>\$ 59,051</u>
L I A B I L I T I E S				
Amount Due to Activity Fund Organizations				
Chauncey H. Duker School	\$ 4,200	\$ 4,472	\$ 4,582	\$ 4,090
Edgebrook Elementary School	2,251	2,820	1,509	3,562
Hilltop Elementary School	4,116	3,654	3,518	4,252
McHenry Middle School	12,241	39,976	44,995	7,222
Landmark Elementary School	3,953	1,958	2,489	3,422
Parkland School	35,448	60,433	67,220	28,661
Riverwood Elementary School	2,137	4,205	4,930	1,412
Valley View Elementary School	9,154	9,983	12,794	6,343
Miscellaneous	90	35	38	87
	<u>\$ 73,590</u>	<u>\$ 127,536</u>	<u>\$ 142,075</u>	<u>\$ 59,051</u>

See Accompanying Independent Auditor's Report

McHENRY COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 15
COMPUTATION OF OPERATING EXPENSE PER PUPIL
AND PER CAPITA TUITION CHARGE
YEAR ENDED JUNE 30, 2017

OPERATING EXPENSE PER PUPIL			
EXPENDITURES:			
ED	Total Expenditures	\$	48,123,452
O&M	Total Expenditures		10,652,838
DS	Total Expenditures		3,592,062
TR	Total Expenditures		4,265,600
MR/SS	Total Expenditures		3,025,492
TORT	Total Expenditures		631,509
	Total Expenditures	\$	70,290,953

LESS RECEIPTS/REVENUES OR DISBURSEMENTS/EXPENDITURES NOT APPLICABLE TO THE REGULAR K-12 PROGRAM:

ED	Special Education Programs K-12 - Private Tuition	\$	986,337
ED	Community Services		68,083
ED	Total Payments to Other District & Govt Units		1,184,459
ED	Capital Outlay		726,102
ED	Non-Capitalized Equipment		352,936
O&M	Capital Outlay		8,112,071
O&M	Non-Capitalized Equipment		30,917
DS	Debt Service - Payments of Principal on Long-Term Debt		2,021,137
TR	Capital Outlay		9,443
TR	Non-Capitalized Equipment		51,908
MR/SS	Community Services		1,177
	Total Deductions	\$	13,544,570
	Total Operating Expenses (Regular K-12)		56,746,383
	9 Mo ADA (See the General State Aid Claim for 2014-2015 (ISBE 54-33, L12))		3,987.82
	Estimated OEPP	\$	14,229.93

PER CAPITA TUITION CHARGE

LESS OFFSETTING RECEIPTS/REVENUES:

TR	Regular -Transp Fees from Pupils or Parents (In State)	\$	18,901
ED	Total Food Service		556,590
ED-O&M	Total District/School Activity Income		55,635
ED	Rentals - Regular Textbooks		197,277
ED-O&M	Rentals		20,271
ED-O&M-DS-TR-MR/SS	Payment from Other Districts		1,157,803
ED-O&M-TR	Total Special Education		1,640,453
ED-MR/SS	Total Bilingual Ed		96,729
ED	State Free Lunch & Breakfast		3,676
ED-O&M-TR-MR/SS	Total Transportation		1,502,662
ED-MR/SS	Total Food Service		800,616
ED-O&M-TR-MR/SS	Total Title I		670,310
ED-O&M-TR-MR/SS	Fed - Spec Education - IDEA - Flow Through/Low Incidence		1,077,242
ED-O&M-TR-MR/SS	Fed - Spec Education - IDEA - Room & Board		107,332
ED-TR-MR/SS	Title III - English Language Acquisition		66,785
ED-O&M-TR-MR/SS	Title II - Teacher Quality		115,211
ED-O&M-TR-MR/SS	Medicaid Matching Funds - Administrative Outreach		156,219
ED-O&M-TR-MR/SS	Medicaid Matching Funds - Fee-for-Service Program		591,553
ED-O&M-TR-MR/SS	Other Restricted Revenue from Federal Sources (Describe & Itemize)		32,305
	Total Allowance for PCTC Computation	\$	8,867,570
	Net Operating Expense for PCTC Computation		47,878,813
	Total Depreciation Allowance (from page 27, Col I)		2,780,380
	Total Allowance for PCTC Computation		50,659,193
	9 Mo ADA		3,987.82
	Total Estimated PCTC	\$	12,703.48

Unaudited

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
McHenry Community Consolidated School District No. 15
McHenry, Illinois

Report on Compliance for Each Major Federal Program

We have audited

McHenry Community Consolidated School District No. 15's

compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of McHenry Community Consolidated School District No. 15's major federal programs for the year ended June 30, 2017. McHenry Community Consolidated School District No. 15's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of McHenry Community Consolidated School District No. 15's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McHenry Community Consolidated School District No. 15's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on McHenry Community Consolidated School District No. 15's compliance.

Opinion on Each Major Federal Program

In our opinion, McHenry Community Consolidated School District No. 15 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of McHenry Community Consolidated School District No. 15 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered McHenry Community Consolidated School District No. 15's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McHenry Community Consolidated School District No. 15's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a significant deficiency.

McHenry Community Consolidated School District No. 15's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. McHenry Community Consolidated School District No. 15's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


EDER, CASELLA & CO.
Certified Public Accountants

MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT 15
44-063-0150-04
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients *	CFDA Number ²	ISBE Project # (1st 8 digits) or Contract # ³	Receipts/Revenues		Expenditure/Disbursements ³		Obligations/ Encumb.	Final Status (E)-(F)-(G)	Budget (I)
			Year 7/1/15-6/30/16	Year 7/1/16-6/30/17	Year 7/1/15-6/30/16 Pass through to Subrecipients	Year 7/1/16-6/30/17 Pass through to Subrecipients			
Major Program Designation	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
U.S. Department of Agriculture Passed								0	
Through Illinois State Board of Education:								0	
Food Donations Program (M)	10.555	17-4299-00		77,871		77,871		77,871	N/A
National School Lunch Program (M)*	10.555	16-4210-00	535,595	105,652	535,595	105,652		641,247	N/A
National School Lunch Program (M)*	10.555	17-4210-00		579,834		583,219		583,219	N/A
School Breakfast Program (M)*	10.553	16-4220-00	99,783	14,466	99,783	14,466		114,249	N/A
School Breakfast Program (M)*	10.553	17-4220-00		100,663		101,181		101,181	N/A
								0	
								0	
								0	
								0	
								0	
								0	
Subtotal CFDA "10"			635,378	878,486	635,378	882,389	0	1,517,767	
								0	
								0	
								0	
								0	
								0	
								0	

• (M) Program was audited as a major program as defined by §200.518.

* NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT 15
44-063-0150-04
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients *	CFDA Number ²	ISBE Project # (1st 8 digits) or Contract # ³	Receipts/Revenues		Expenditure/Disbursements ⁴			Obligations/ Encumb.	Final Status (E)+(F)+(G)	Budget
			Year 7/1/15-6/30/16	Year 7/1/16-6/30/17	Year 7/1/15-6/30/16	Year 7/1/16-6/30/17	Year 7/1/16-6/30/17 Pass through to Subrecipients			
Major Program Designation	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
U.S. Department of Education Passed Through								0		
Illinois State Board of Education:								0		
Title I - Low Income	84.010	16-4300-00	378,715	201,556	580,271	0		580,271	631,975	
Title I - Low Income	84.010	17-4300-00		468,754		636,135		636,135	690,896	
Title II - Teacher Quality	84.367	16-4932-00	50,350	51,188	101,538	0		101,538	186,193	
Title II - Teacher Quality	84.367	17-4932-00		64,023		92,367		92,367	109,137	
Title III - LIP/LEP**	84.365	16-4909-00	40,773	28,086	68,859	0		68,859	76,694	
Title III - LIP/LEP**	84.365	17-4909-00		38,699		59,807		59,807	64,856	
Special Education - IDEA Room & Board (M)**	84.027	16-4625-00		93,729		93,729		93,729	N/A	
Special Education - IDEA Room & Board (M)**	84.027	16-4625-XC		13,603		13,603		13,603	N/A	
								0		
U.S. Department of Education Passed Through								0		
Special Education District of McHenry County:										
Special Education - Preschool Grant (M)	84.173	16-4600-00	34,402	16,337	50,739			50,739	54,552	
Special Education - Preschool Grant (M)	84.173	17-4600-00		38,285		53,325		53,325	53,410	
Special Education - Grant to States (M)	84.027	16-4620-00	782,616	269,623	1,052,239			1,052,239	1,052,239	
Special Education - Grant to States (M)	84.027	17-4620-00		807,619		1,072,039		1,072,039	1,072,039	
Subtotal CFDA "84"			1,286,856	2,091,502	1,853,646	0	0	3,874,651	3,991,991	

• (M) Program was audited as a major program as defined by §200.518.

* NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT 15
44-063-0150-04
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients *	CFDA Number ²	ISBE Project # (1st 8 digits) or Contract # ³	Receipts/Revenues		Expenditure/Disbursements ³		Obligations/ Encumb.	Final Status (E)-(F)-(G)	Budget
			Year 7/1/15-6/30/16	Year 7/1/16-6/30/17	Year 7/1/15-6/30/16 Pass through to Subrecipients	Year 7/1/16-6/30/17 Pass through to Subrecipients			
Major Program Designation	(A)	(B)	(C)	(D)	(E)		(G)	(H)	(I)
U.S. Department of Transportation Passed								0	
Through Illinois Environmental Protection								0	
Agency:								0	
National Clean Diesel Emissions Reduction Program***	20.205	17-4879-00		32,305				32,305	32,305
Subtotal CFDA "20"			0	32,305	0	0	0	32,305	32,305
U.S. Department of Health & Human Services								0	
Passed Through Illinois Department of								0	
Healthcare & Family Services:								0	
Medicaid Matching	93.778	16-4991-00	106,584	45,202	106,584	45,202		151,786	N/A
Medicaid Matching	93.778	17-4991-00		111,017		111,017		111,017	N/A
Subtotal CFDA "93"			106,584	156,219	106,584	156,219	0	262,803	
Total Federal Assistance			2,028,818	3,158,512	2,595,608	3,091,918	0	5,687,526	
*Project End Date 9/30								0	
**Project End Date 8/31									
***Project End Date 3/31								0	

• (M) Program was audited as a major program as defined by §200.518.

* NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of McHenry Community Consolidated School District No. 15 under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the District.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The District has elected not to use the 10 percent de minimis indirect rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

The District did not provide federal awards to subrecipients during the year ended June 30, 2017.

NOTE 5 - FEDERAL LOANS

There were no federal loans or loan guarantees outstanding at year end.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

- 1) Summary of auditor's results:
 - a) An adverse opinion report was issued due to the regulatory basis of accounting.
 - b) One significant deficiency was disclosed during the audit of the financial statements and is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
 - c) No instances of noncompliance material to the financial statements of McHenry Community Consolidated School District No. 15, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed by the audit of the financial statements.
 - d) No significant deficiencies and no material weaknesses in internal control over major federal award programs were disclosed during the audit.
 - e) The auditor's report on compliance for the major federal award programs for the McHenry Community Consolidated School District No. 15 expressed an unmodified opinion on all major federal programs.
 - f) There were no audit findings that are required to be reported in accordance with Uniform Guidance.
 - g) The major programs identified were Child Nutrition Cluster, CFDA # 10.553 and #10.555; and Special Education Cluster, CFDA # 84.027 and #84.173.
 - h) The dollar threshold to distinguish between Type A and Type B programs was \$750,000.
 - i) McHenry Community Consolidated School District No. 15 does not qualify as a low-risk auditee.
- 2) The finding related to the financial statements which is required to be reported and is detailed in finding number 2017-001.
- 3) There were no findings or questioned costs for federal award programs which are required to be reported.

MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT 15
44-063-0150-04
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2017- 001 2. THIS FINDING IS: ☐ New ☒ Repeat from Prior Year?
Year originally reported? 2016

3. Criteria or specific requirement

A critical element of internal control is that incompatible procedures in a control process be properly segregated.

4. Condition

There is a lack of review processes over bank reconciliations and National School Lunch application approvals/denials.

5. Context¹²

Bank reconciliations and National School Lunch application approvals/denials are not reviewed by a person other than the one preparing the reports.

6. Effect

Potential misstatements resulting from a failure of internal controls.

7. Cause

The District does not have sufficient segregation of duties.

8. Recommendation

The District needs to review all bank reconciliations and National School Lunch applications.

9. Management's response¹³

The District will initiate a proper review process going forward.

For ISBE Review

Date: _____ Resolution Criteria Code Number _____
Initials: _____ Disposition of Questioned Costs Code Letter _____

¹¹ A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2017 would be assigned a reference number of 2017-001, 2017-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

¹³ See §200.521 *Management decision* for additional guidance on reporting management's response.

MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT 15
44-063-0150-04
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS¹⁹
Year Ending June 30, 2017

[If there are no prior year audit findings, please submit schedule and indicate **NONE**]

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status²⁰</u>
2016-001	Bank reconciliations and payroll tax returns are not being reviewed by a person other than the one preparing the reports.	The bank reconciliations are still a finding in the current year. See finding 2017-001. The payroll tax returns issue was corrected.
2016-002	Two National School Lunch Program applications were filled out incorrectly and the District did not review them prior to processing. There was also missing backup documentation resulting in the District not being able to determine if the families were receiving the correct benefits.	National School Lunch Program applications are still not reviewed. See finding 2017-001. However, all applications that were tested in the current year were found to be processed correctly.

When possible, all prior findings should be on the same page

¹⁹ Explanation of this schedule - §200.511 (b)

²⁰ Current Status should include one of the following:

- A statement that corrective action was taken
- A description of any partial or planned corrective action
- An explanation if the corrective action taken was significantly different from that previously reported or in the management decision received from the pass-through entity.

MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT 15
44-063-0150-04
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2017

Corrective Action Plan

Finding No.: **2017- 001**

Condition:

There is a lack of review process over bank reconciliations and National School Lunch applications.

Plan:

The District will initiate a proper review process going forward.

Anticipated Date of Completion: 9/30/2017

Name of Contact Person: Mark Bertolozzi, Chief Financial Officer

Management Response: N/A

²¹ Must address **each** audit finding - §200.511 (c)